GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4294
ANSWERED ON:19.05.2006
JOINT VENTURE BETWEEN AP AND FOREIGN COUNTRY
Rao Shri Kavuru Samba Siva

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes allow joint ventures between foreign countries and the State of Andhra Pradesh in infrastructure development, biotechnology, food processing, tourism etc;

(b) if so, the details thereof and if not reasons therefore;

(c) whether the increase in service tax will affect adversely the ship repair industry especially the Hindustan Shipyard Limited in Vishakhapatnam in Andhra Pradesh; and

(d) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) and (b): According to the 7th Schedule, List I, Entry No. 14 of the Constitution, it is Government of India and not the State Governments which can enter into agreements with foreign countries. However, Government of India encourages enterprise-to-enterprise agreements at State level.

(c) and (d): In respect of ship repair turnover, service tax is attracted on the value of services i.e other than the cost of materials. For every 100 crore of ship repair turnover, service tax at the rate of 12.24 percent works out to Rs. 9.79 crores, which would have to be paid by the ship repair industry, including the Hindustan Shipyards Ltd., Vishakhapatnam. No representations have been received recently from the Ship repair Industry regarding increase in service tax affecting them adversely.